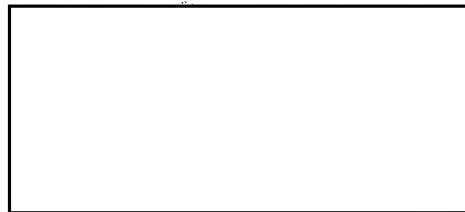


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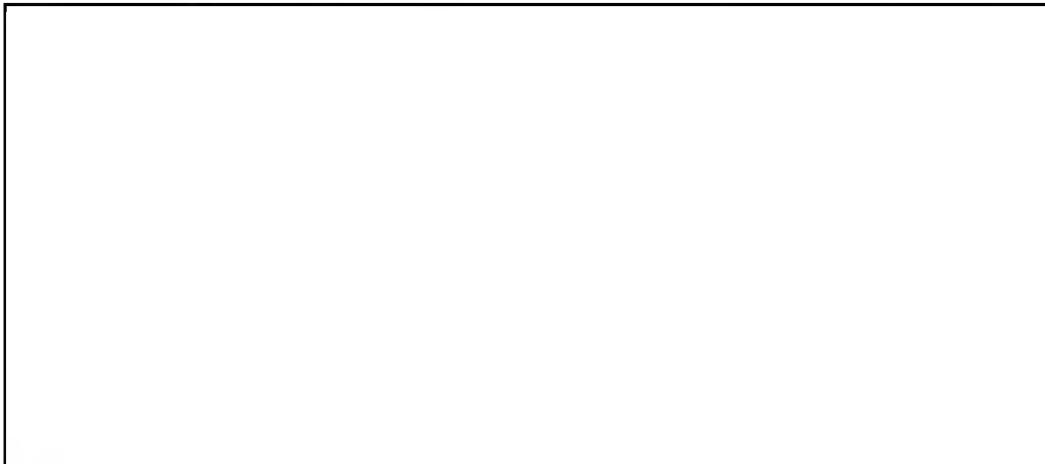
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OFFICE OF CURRENT INTELLIGENCE CENTRAL INTELLIGENCE AGENCY

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1. NEARLY HALF OF SOVIET AMBASSADORS NOW
IN MOSCOW

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Of the 54 Soviet ambassadors and ministers in diplomatic posts abroad, some 26 have returned to Moscow since 1 June. Eight went home during June; the rest have

returned since mid-July. Some of the 26 have made two trips to Moscow during this period; only one is known to be back at his post. In several instances counselors, first secretaries, and other diplomatic officials have also returned to the USSR.

The movement of a number of the ambassadors can be attributed to vacations or discussions concerning the countries to which they are accredited. Foreign representatives could also have been called home for briefings after the June party shake-up.

The presence in Moscow of nearly half of all Soviet ambassadors, however, suggests more than routine matters. There may be general discussions of new moves in foreign policy or the international Communist movement, such as the recent talks with Tito. It could also indicate important government and party meetings to consider as yet unannounced personnel and organizational changes.

Although several of the ambassadors were already scheduled to leave their posts before the June plenum of the central committee, some of the returning diplomats may be removed as a follow-up to the dismissal of the presidium's "antiparty group." Ambassador Pegov, for example, who was appointed to Tehran only last August, is now known to have been permanently recalled and may be under a cloud for past associations in the central party apparatus with Malenkov and possibly Kaganovich.

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2. SOVIET-SYRIAN COMMUNIQUE

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The joint communique signed on 6 August, if it reflects completely the discussions between the USSR and Syria, indicates that Syria's minimum requirements were not met. The communique does not commit the USSR to alleviate Syria's need for cash, but contains only vague promises of future aid. The development projects proposed for study by experts might amount to the \$112,000,000 program which the Damascus press last week reported the USSR had offered.

The Syrians may still hope to obtain some financial relief during their visit to Prague, such as a softening of payment terms for the arms they have received.

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3. USSR REPORTEDLY PRESSING FOR EGYPTIAN-SYRIAN UNION

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The USSR is encouraging a federal union between Egypt and Syria and is "attempting to pressure" Cairo into sending Defense Minister Amir to

Moscow to discuss military cooperation between Egypt, Syria, and the USSR.

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Comment

The USSR probably believes that an Egyptian-Syrian union would be an effective instrument for bolstering the Nasr regime's strength and prestige in the Arab world and countering American efforts to bring the Arab states into closer association with the West. Damascus would probably welcome a Soviet-supported union with Egypt, and leftist Syrian officers reportedly went to Moscow recently to discuss the present Soviet views on union.

Cairo's recent statements on the question of union, however, have been lukewarm. Amir has accepted Marshal Zhukov's invitation to visit the USSR but has postponed the trip for the time being. It appears that Cairo intends to avoid any effective action directed toward union at present, with or without Soviet backing.

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4. GREEK GOVERNMENT PLANS DIRECT APPROACH
TO TURKEY

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[REDACTED] Greek Foreign Minister Averoff told Ambassador Allen on 6 August that the Greek government is ready to undertake direct negotiations with Turkey on the

Cyprus problem and would even consider a visit to Ankara by Prime Minister Karamanlis and Averoff. Averoff said reports from Greek Ambassador to Turkey Pezmatzoglou led him to hope that influential Turkish officials already realize that partition is not feasible and might be ready to accept a Cyprus solution agreeable to Greece.

On 3 August, Averoff informed Allen that Greece might accept a British invitation to a new tripartite conference on Cyprus if a majority of the conferees would support some form of independence or dominion status for Cyprus, with provision for later "modification."

Comment

Pezmatzoglou was sent to Ankara last month as Greek ambassador because of his long-standing friendships with high-ranking Turks and his reputation as an advocate of Greek-Turkish friendship. In his enthusiasm to promote a rapprochement between the two countries, he has probably been overoptimistic in his reports to Athens.

The Turks may be preparing to moderate their Cyprus stand and may also be studying the possibility of an Anglo-Greek-Turkish condominium over the island. Ankara is not likely at present to agree to a new tripartite Cyprus conference on Athens' terms, although it probably would not discourage a Greek overture for direct talks.

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5. GROWING PRESSURE FOR ENDING LAOTIAN GOVERNMENT CRISIS

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[Redacted]

Opponents of Laotian Premier-designate Souvanna Phouma's policy of conciliation with the Communist Pathet Lao feel that Laos needs "a government, almost any government," and are willing to permit his investiture on the assumption that they will be able to control him once he is in office. Phoui Sananikone, leader of the anti-Communist Independent Party, discounts the risk of an early coalition government with the Pathets, and apparently believes that Souvanna is not "the master of the situation" and can be prevented from taking any dangerous steps.

The possibility of controlling Souvanna after investiture may be overstated. Souvanna, who refuses to believe the Pathets are really Communists, has now indicated he will not demand guarantees of Pathet submission to royal authority before a coalition government is formed.

If Souvanna fails to win investiture, an interim caretaker government not requiring assembly approval might be appointed by Crown Prince Savang.

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6. PEIPING'S TERMS FOR SINO-BURMA BORDER SETTLEMENT REVEALED

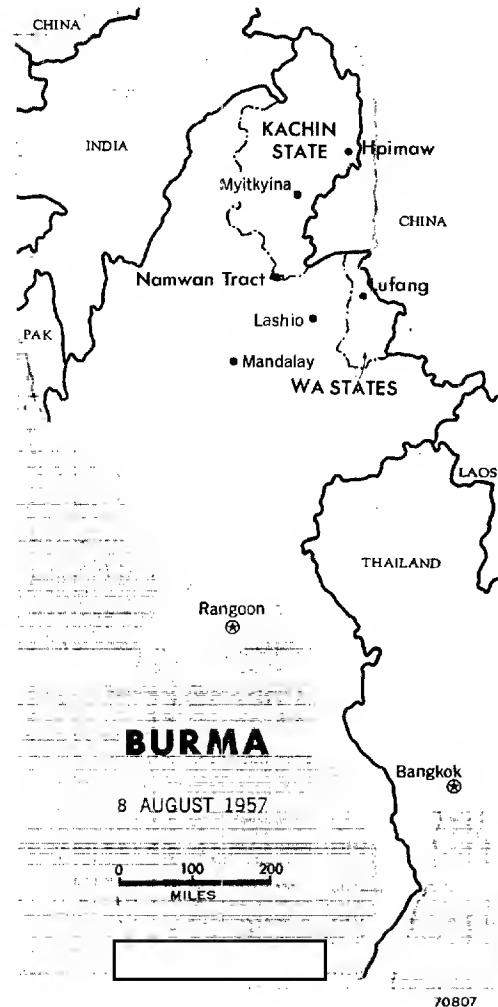
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Chou En-lai's long-awaited letter containing Peiping's formal Sino-Burmese border proposals includes a new demand for the cession of some 70 square miles of territory in the Lufang area of the Wa States, according to the American embassy in Rangoon. The Chinese Communists are also asking for more territory in the Hpimaw area than Kachin State leaders had informally agreed to cede. China, in return, is reportedly prepared to cede the Namwan Tract to Burma, which was under a "perpetual" lease from China to British Burma.

The line incorporating Chinese claims in the Lufang area reportedly does not follow any natural topographic features, which has led the Burmese Foreign Office to suspect that the ambiguities in this proposal are designed to prolong the negotiations as a pressure tactic against Rangoon.

The government will eventually accept Peiping's terms for a settlement, but anticipates further difficulties with the Kachins and particularly the Shans when Rangoon seeks their concurrence.

The embassy comments that Peiping's new demands are undoubtedly intended to create maximum problems for the Burmese government with the border peoples while still maintaining its pose of friendship and desire to reach a settlement.



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7. GUATEMALAN LEADER CONFIRMS DECISION ON
CIVILIAN PRESIDENTIAL CANDIDATE

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Col. Juan Francisco Oliva, powerful Guatemalan defense minister, confirmed on 6 August that top political and military leaders had decided on a civilian candidate for president. Oliva, who had been considered the most likely successor to Castillo Armas, told the American ambassador that his decision to withdraw his candidacy was based on a desire to uphold the constitution, which provides that high military officers and cabinet ministers cannot be elected to the presidency until six months after they have left office. He also stated that a committee of nine, which had met under his chairmanship to choose an acceptable candidate, had agreed on the selection of Miguel Ortiz Passarelli, president of the Supreme Court.

The ambassador commented that his impression was that Ortiz would govern in close consultation with army and political forces. He also stated that he has a high opinion of Ortiz' legal capacity, integrity, and competence.

Ortiz, who is considered pro-US, was first presidential designate (vice president) from March 1956 to March 1957 and served a short term as interim president during Castillo Armas' absence in Panama during July 1956.

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8. WEST GERMANS TO RESUME NEGOTIATIONS IN MOSCOW

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[Redacted] West German Ambassador Lahr is returning to Moscow to present a German counter-statement on repatriation, according to American officials in Bonn. The new statement will maintain that repatriation remains an issue despite a Soviet contention to the contrary, and that negotiations on trade, consular rights, and repatriation must be treated as one complex. The implication of the German position is that Soviet refusal to proceed with repatriation talks will result in German intransigence on trade.

Comment

Chancellor Adenauer has said that he expects the talks to last at least until the 15 September elections, and this is probably the primary aim of the German delegation. The Foreign Ministry believes Bonn is in a strong position in the trade negotiations, since there is no pressure from business circles for expanded trade with the USSR. In regard to repatriation, the Germans hope to obtain at least an agreement which would allow about 30,000 Baltic Germans to choose Soviet or German citizenship. A modification of Bonn's position would probably lead to a softening of the Soviet Union's attitude, in view of the stated Russian desire for a normalization of relations with West Germany and an expansion of trade and consular rights.

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